Federal Strategic Sourcing Initiative

Office Supplies Commodity Team
Commodity Management Plan
FINAL

Washington, DC

February 2007

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Solving Complex Business Problems

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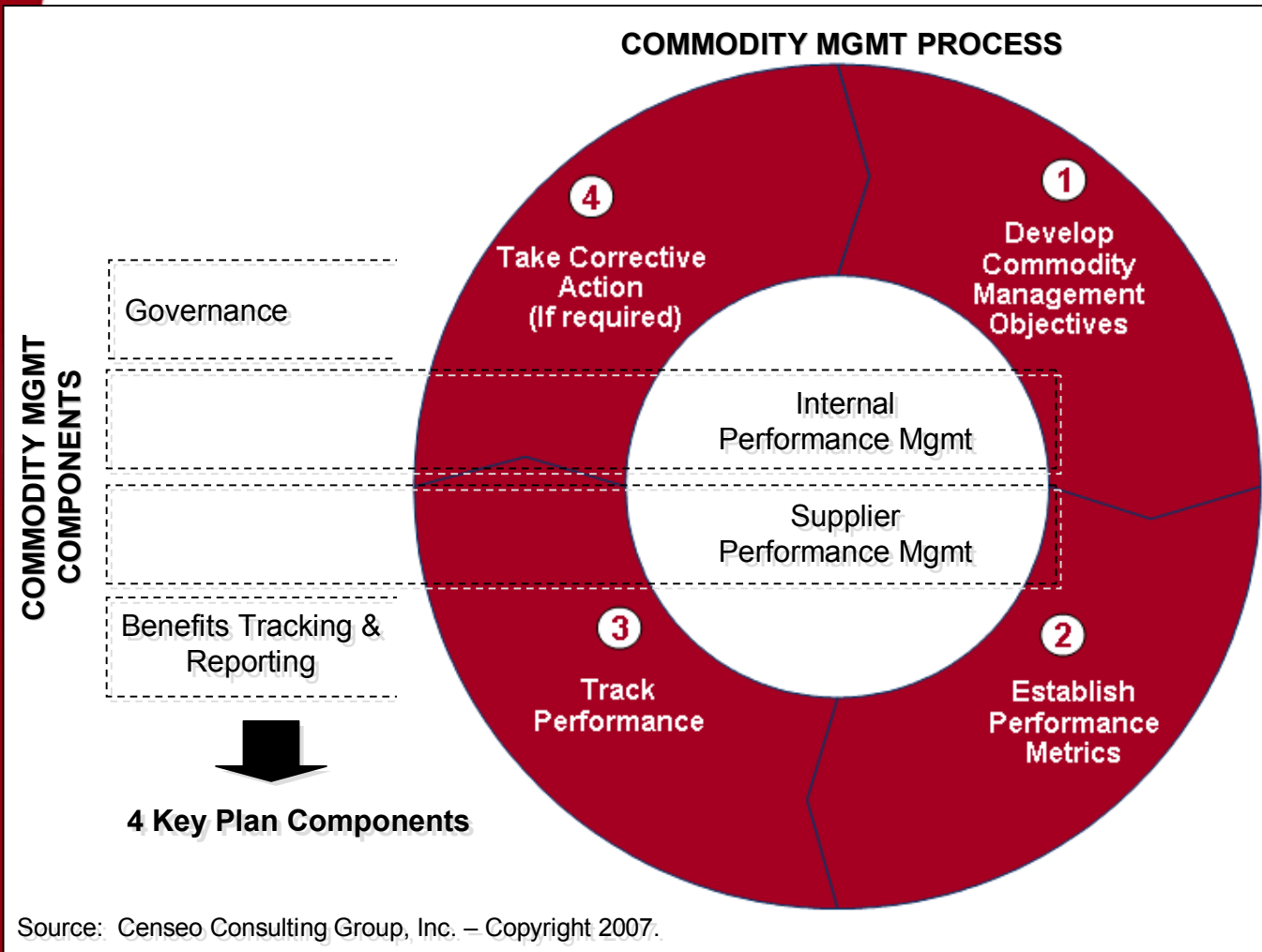U.S. General Services Administration

The Commodity Management Plan outlined within this document is adopted from Censeo's Commodity Management Framework

CENSEO COMMODITY MANAGEMENT FRAMEWORK

COMMODITY MGMT PROCESS

COMMODITY MGMT COMPONENTS

- Governance
- Benefits Tracking & Reporting

4 Key Plan Components

The Censeo "Commodity Mgmt Framework" defines the high level process and plan components that are used to drive highly successful, post-sourcing commodity management efforts

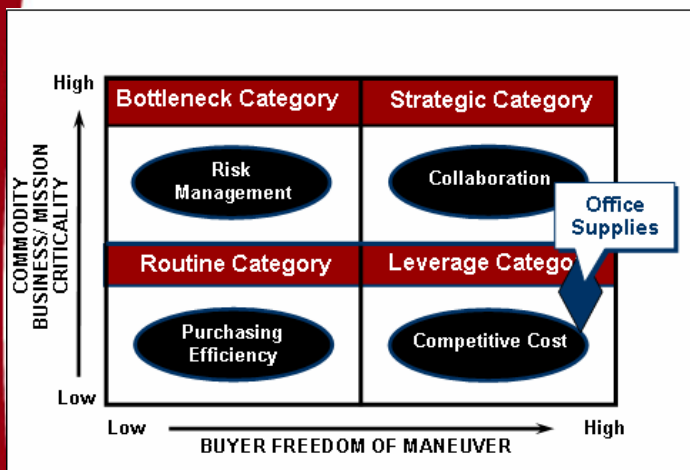Source: Censeo Consulting Group, Inc. – Copyright 2007.

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- **Introduction**

- **Commodity Management Plan Objectives & Performance Metrics**

- **Commodity Management Governance**

- **Internal Performance Management Overview**

- **Supplier Performance Management Overview**

- **Benefits Tracking and Reporting Overview**

The Office Supplies Commodity Strategy has identified several sourcing objectives
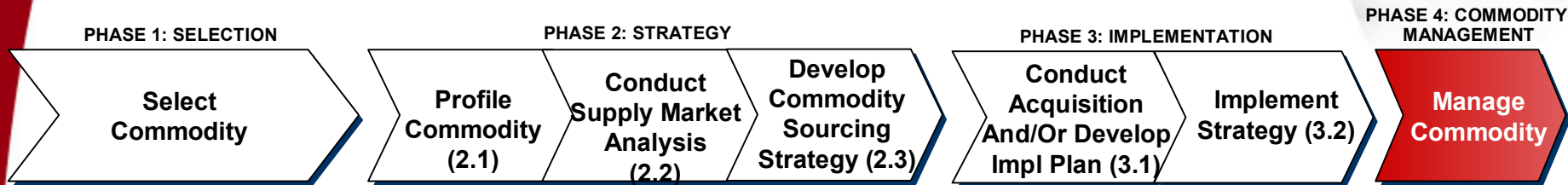
COMMODITY POSITIONING MATRIX

OFFICE SUPPLIES SOURCING OBJECTIVES

Sourcing Objectives	Description
Support socio-economic goals	▪ Reinforce socio-economic objectives through continued engagement with small business suppliers
Embrace market competitive context	▪ Utilize and reinforce strong competition among suppliers to achieve competitive pricing
Provide full range of office supplies products	▪ Provide a full breadth of office supplies products (as specified in the commodity definition) through awarded suppliers

Provide timely access to office supplies products	▪ Ensure that customers/ users are able to fulfill their office supplies needs in a timely fashion through identifying and maintaining awarded suppliers based on:
	  – Product availability
	  – Delivery timeliness

Enhance spend data reporting & analysis	▪ Acquire the ability to understand office supplies spend across agencies through detailed supplier monthly spend reporting as a requirement of any future awards – this will enable the ability to perform demand management analyses and develop a more accurate future price baseline in support of future sourcing efforts

Efforts to ensure the realization of these sourcing objectives must continue after the completion of the sourcing, acquisition, and contracting activity

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The Commodity Mgmt Plan will be used to drive the continued realization of sourcing objectives as part of phase 4 of the overall strategic sourcing & commodity mgmt process

STRATEGIC SOURCING & COMMODITY MANAGEMENT PROCESS

PHASE 1: SELECTION

PHASE 2: STRATEGY

PHASE 3: IMPLEMENTATION

PHASE 4: COMMODITY MANAGEMENT

| Select Commodity | Profile Commodity (2.1) | Conduct Supply Market Analysis (2.2) | Develop Commodity Sourcing Strategy (2.3) | Conduct Acquisition And/Or Develop Impl Plan (3.1) | Implement Strategy (3.2) | Manage Commodity |

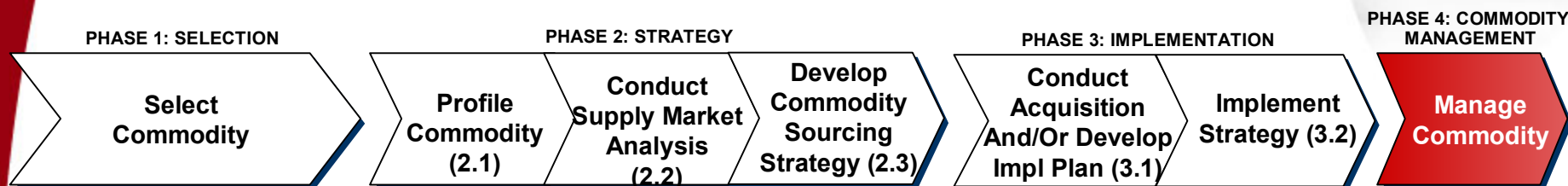## COMMODITY MANAGEMENT PLAN – KEY COMPONENTS

Plan Component	Description
Governance	▪ Define roles & responsibilities for execution, management, and oversight of the Commodity Management effort
Internal Performance Mgmt	▪ Measure internal usage against new contract vehicles and how this impacts achieved benefits relative to expected sourcing benefits – drive appropriate programs necessary to support ongoing usage of new supply arrangements. ▪ Manage internal processes, policies and technologies required to achieve defined customer and sourcing objectives ▪ Drive ongoing communications with key stakeholders to communicate achievement of sourcing goals and gauge ongoing satisfaction of customer needs
Supplier Performance Mgmt	▪ Ensure that suppliers are performing along key metrics as required by the contract. ▪ Put in place a regular communication vehicle with suppliers to drive improvements in supplier performance.
Benefits Tracking & Reporting	▪ Measure benefits resulting from new supply arrangements relative to targets. ▪ Report on both status and any necessary actions required to improve benefits realization.

Collectively, the Commodity Mgmt Plan components will support the ongoing realization of sourcing objectives

The Commodity Management Plan initiates an ongoing commodity management process

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Implement Strategy (3.2)

PHASE 4: COMMODITY MANAGEMENT

Manage Commodity

ONGOING COMMODITY MANAGEMENT PROCESS

4 — Take Corrective Action (If required)
- Identify performance shortfalls
- Develop and implement corrective action plan
- Review commodity management objectives and update if required

1 — Develop Commodity Management Objectives
- Define program goals and objectives
- Establish buy-in and support

3 — Track Performance
- Develop measurement and reporting process
- Develop report cards
- Collect and analyze data
- Track and report performance results

2 — Establish Performance Metrics
- Identify key performance metrics
- Asses data availability and reliability
- Baseline current performance (if available)
- Establish target performance levels

Many activities in Step 1 and Step 2 of the "Ongoing Commodity Mgmt Process" are initiated and/or executed prior to commencement of Commodity Management (phase 4)

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Commodity Mgmt Plan overall objectives determine the appropriate performance metrics used to gauge sourcing and commodity mgmt effectiveness

OFFICE SUPPLIES COMMODITY MANAGEMENT PLAN OBJECTIVES & PERFORMANCE METRICS

Plan Component	Overall Objectives	Performance Metrics
Governance	▪ Ensure the appropriate level of oversight and active participation to drive commodity mgmt plan components in support of sourcing objectives & benefits realization	▪ Not applicable at the commodity level
Supplier Performance Management	▪ Monitor supplier performance against agreed to contractual terms and provide timely feedback to drive performance improvements	▪ Order acknowledge time ▪ Order to ship time ▪ Order shipment notification ▪ Order to delivery time ▪ Out of stock notification prior to shipment ▪ Monthly performance metrics reporting (as per RFQ) ▪ Monthly usage reporting (as per RFQ)
Internal Performance Management	▪ Take proactive actions to meet the needs of the user community and drive usage of new supply arrangements	▪ Total year-to-date spend with new supply arrangement(s) ▪ # of agencies utilizing new supply arrangements ▪ % agency spend thru new supply arrangements ▪ User satisfaction with new supply arrangements
Benefits Tracking & Reporting	▪ Track estimated savings from use of new supply arrangements	▪ Estimated realized cumulative savings (based on spend with new supply arrangement(s) and agency level price baseline)

Performance metrics are defined, measured, and managed as part of ongoing Commodity Mgmt

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Commodity management governance is focused on providing sponsorship and high level visibility for achieving ongoing commodity results

COMMODITY MANAGEMENT GOVERNANCE OBJECTIVES

	Objectives	Description
1	**Provide oversight and executive sponsorship**	▪ Provide oversight and executive-level sponsorship, ensuring overall effectiveness of the commodity management process ▪ Serve as a point of escalation for issue resolution as needed in support of effective commodity management
2	**Drive corrective actions**	▪ Monitor overall progress and performance of selected commodities and initiate corrective action to ensure that user needs are being met and suppliers are performing as per contractual agreements
3	**Support appropriate resource allocations**	▪ Provide core resources and overall program and commodity management for teams assigned to their respective organizations

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The overall FSSI governance structure is designed to provide the oversight necessary for both strategic sourcing and commodity management
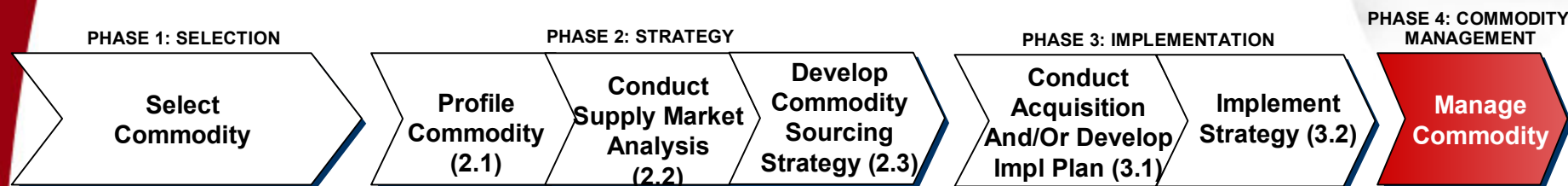
FSSI GOVERNANCE STRUCTURE
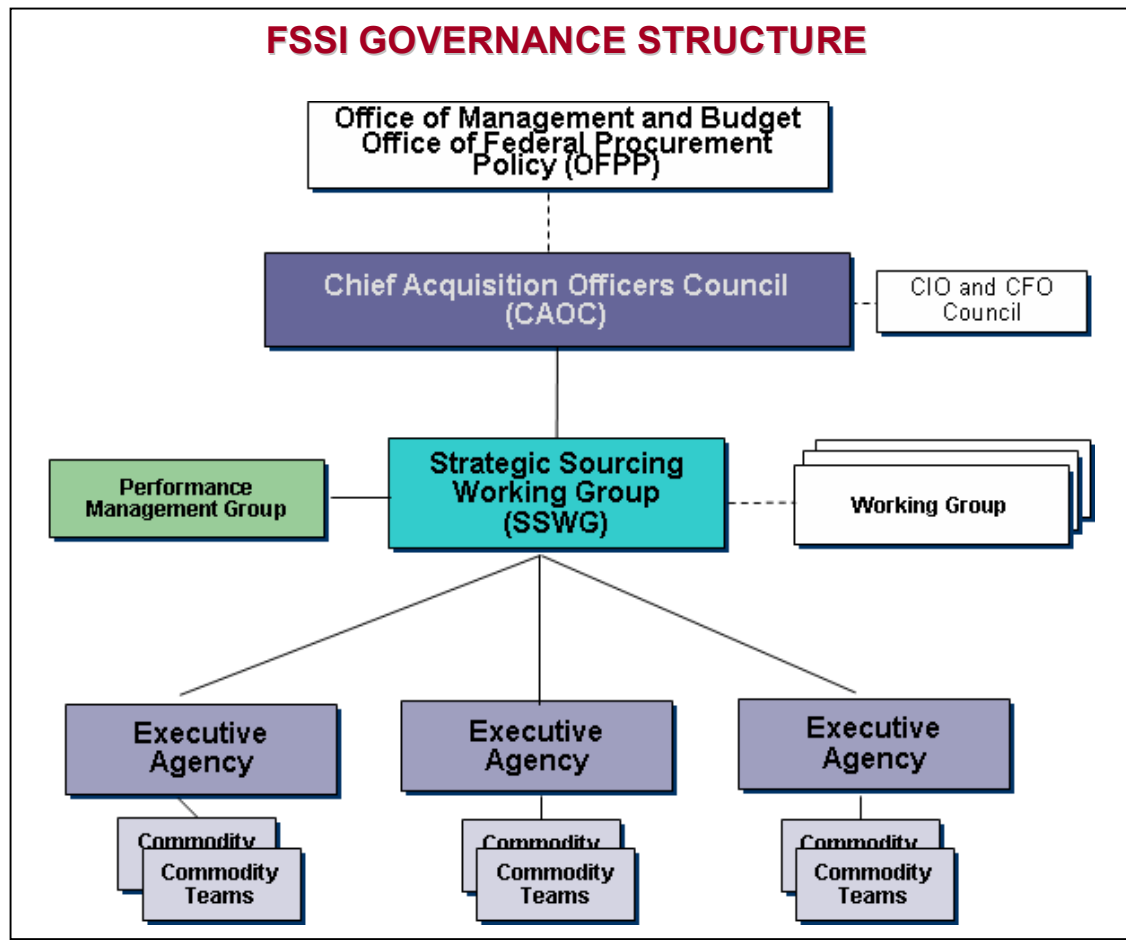
KEY ROLES

- **CAOC -** Sets strategic direction and votes on strategic decisions

- **Strategic Sourcing Working Group (SSWG)** – Provides oversight, approves commodity team strategies, and ensures overall performance

- **Performance Management Group –** Monitors overall progress and performance of selected commodities; initiates corrective action

- **Executive Agencies –** Provide core resources and overall program and commodity management for teams assigned to their respective organizations

- **Commodity Teams** – Develop and execute commodity strategies; may be involved in commodity management for larger categories

This governance structure will support the effective execution of ongoing commodity management

More specifically, key roles have been further delineated for the ongoing commodity management process (phase 4)
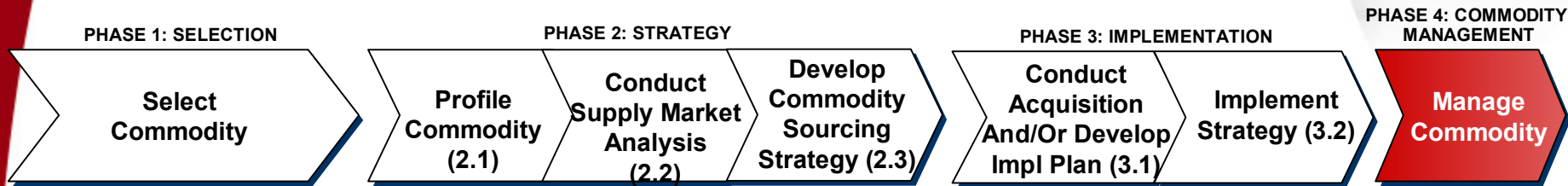
STRATEGIC SOURCING & COMMODITY MANAGEMENT PROCESS

PHASE 1: SELECTION	PHASE 2: STRATEGY	PHASE 3: IMPLEMENTATION	PHASE 4: COMMODITY MANAGEMENT
Select Commodity	Profile Commodity (2.1) → Conduct Supply Market Analysis (2.2) → Develop Commodity Sourcing Strategy (2.3)	Conduct Acquisition And/Or Develop Impl Plan (3.1) → Implement Strategy (3.2)	Manage Commodity

PHASE 4: COMMODITY MANAGEMENT ROLES & RESPONSIBILITIES

Roles	Internal Performance Mgmt	Supplier Performance Mgmt	Benefits Tracking & Reporting
Strategic Sourcing Working Group (SSWG)	▪ Provide executive level oversight for the ongoing commodity management process ▪ Review quarterly performance reports and provide guidance & support as needed to reinforce benefits realization		
Performance Mgmt Group (PMG)	▪ Conduct user satisfaction surveys ▪ Gather user satisfaction results ▪ Review agency spend metrics ▪ Develop corrective actions	▪ Conduct user satisfaction surveys ▪ Gather user satisfaction results	▪ Gather and summarize savings results by agency ▪ Collect and review non-quantifiable benefits by agency
OS Commodity Team (CT)	▪ Conduct user satisfaction surveys ▪ Gather user satisfaction results ▪ Review agency spend metrics ▪ Develop corrective actions	▪ Conduct user satisfaction surveys ▪ Gather user satisfaction results ▪ Consolidate monthly supplier metrics ▪ Notify underperforming suppliers	▪ Collect spend, & SKU-level usage data by agency ▪ Collect and review savings results by agency ▪ Collect and review non-quantifiable benefits by agency
Agency	▪ Participate in user satisfaction surveys ▪ Provide spend data to the CT and PMT	▪ Provide supplier performance data to the CT as needed	▪ Develop detailed initial price baseline ▪ Provide spend, & SKU-level usage data ▪ Calculate and report savings results ▪ Assess and report non-quantifiable benefits

The commodity team will consist primarily of program/analytical support roles during ongoing commodity management (phase 4)

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COMMODITY TEAM COMPOSITION

Executive Sponsor

Commodity Team Lead

Program/Analytical Support
- Requirements Analysis
- Data Analysis
- Market Analysis
- Procurement Policy Analysis
- Change Management

Agency Reps
- Functional Managers
- Program Managers

Procurement
- Contracting Officer
- Contracting Specialist

Small Business – Small Business Specialists
Stakeholders - Internal and External to Govt
Experts - Subject Matter Experts and Advisors
Industry - Associations and Suppliers

Legend:
- Part-Time Roles
- Full-Time During Phase 3
- Typically Full-Time Roles

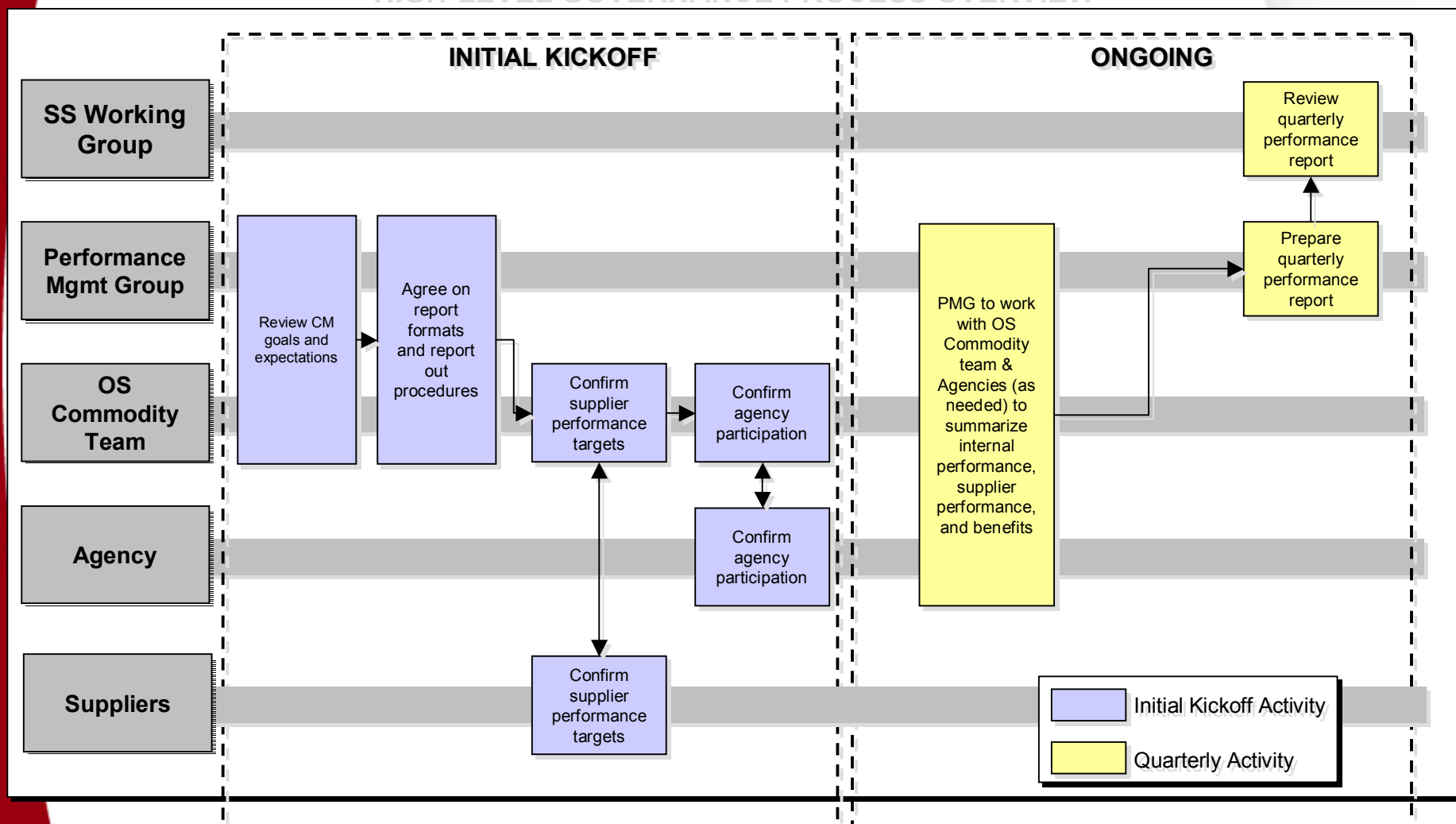### FULLTIME COMMODITY TEAM COMPOSITION DURING PHASE 4

- Commodity team lead
- Program analytical support
- Additional stakeholders/ subject matter experts as appropriate

Support activities and analyses required for ongoing commodity management

The high-level governance process depicts the involvement of the key roles– the Performance Mgmt Team is ultimately responsible for preparing the Quarterly Performance Report

HIGH-LEVEL GOVERNANCE PROCESS OVERVIEW

INITIAL KICKOFF | ONGOING

SS Working Group
- Review quarterly performance report

Performance Mgmt Group
- Review CM goals and expectations
- Agree on report formats and report out procedures
- Prepare quarterly performance report

OS Commodity Team
- Confirm supplier performance targets
- Confirm agency participation
- PMG to work with OS Commodity team & Agencies (as needed) to summarize internal performance, supplier performance, and benefits

Agency
- Confirm agency participation

Suppliers
- Confirm supplier performance targets

Legend:
- Initial Kickoff Activity
- Quarterly Activity

The Quarterly Performance Report will include performance and benefit updates as well as actions required from the Strategic Sourcing Working Group

QUARTERLY PERFORMANCE REPORT

1. **Internal Performance Mgmt**
   - User satisfaction
   - Spend-related metrics

2. **Supplier Performance Mgmt**
   - Supplier performance metrics
   - Supplier feedback summary

3. **Benefits Tracking & Reporting**
   - Savings summary by Agency
   - Non-quantifiable benefits by Agency

HIGHLIGHTS OF THE QUARTERLY PERFORMANCE REPORT

- Performance relative to key metrics

- Estimated realized savings

- Non-quantifiable benefits

Actions required from the Strategic Sourcing Working Group will be highlighted

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Several objectives have been identified for Internal Performance Mgmt – focused on adopting new supply arrangements & meeting user needs

INTERNAL PERFORMANCE MANAGEMENT OBJECTIVES

	Objectives	Description
1	**Measure adoption of new supply arrangements**	▪ Measure the adoption of new supply arrangements by Federal Agencies
2	**Promote new supply arrangements with Agencies**	▪ Seek ways of further promoting new supply arrangements with Federal Agencies as needed based on prevailing adoption rates
3	**Gauge user satisfaction with new supply arrangements**	▪ Confirm user satisfaction levels with new supply arrangements through user surveys ▪ Confirm that user needs (for Office Supplies) are being met through new supply arrangements ▪ Link user satisfaction findings with supplier feedback process in "Supplier Performance Mgmt" ▪ Utilize user satisfaction and supplier feedback results as an input to determining whether future sourcing efforts are warranted
4	**Confirm existing supply arrangements are well aligned with user needs**	▪ Monitor supply market trends, offerings and capabilities as an input to determining whether future sourcing efforts are warranted

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A few basic "Post-Sourcing Levers" are used to drive & support user adoption of new supply arrangements, beginning with implementation and carried forward into Commodity Mgmt

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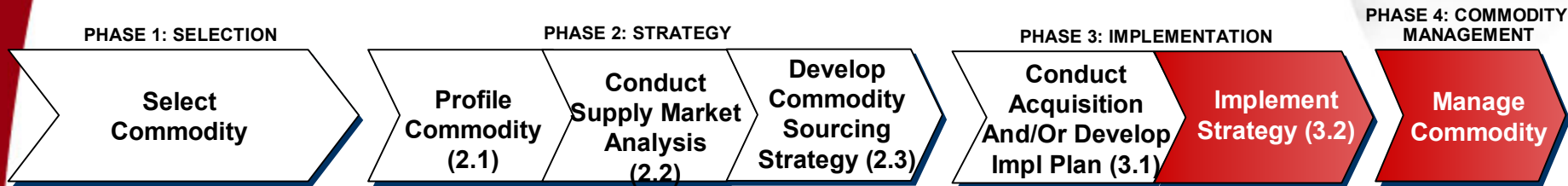
POST-SOURCING LEVERS

- Communication
- Policy
- Process
- Technology

POST-SOURCING LEVERS – VARYING FOCUS ACROSS PROCESS STEPS

	PROCESS PHASE	
	"Implement Strategy"	**"Manage Commodity"**
Focus	▪ **Initial Change Mgmt:** Proactively utilize the post-sourcing levers to maximize the adoption of new supply arrangements and achieve sourcing benefits as part of change management efforts	▪ **Feedback & Corrective Action:** Refine and update post-sourcing levers after successive feedback cycles (quarterly) where internal performance reviews are conducted

Focus of this section

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Internal performance metrics provide objective measures of new supply arrangement uptake and user satisfaction

INTERNAL PERFORMANCE METRICS & TARGETS

Performance Metrics	Measurement Approach
# of Agencies Using New Supply Arrangements	▪ Monitor the number of agencies utilizing new supply arrangements ▪ Measure monthly and develop corrective action plans quarterly if needed
% Agency Spend thru New Supply Arrangements	▪ Monitor agency spend thru new supply arrangements ▪ Measure monthly and develop corrective action plans quarterly if needed
Cumulative Year-to-Date Spend thru New Supply Arrangements	▪ Measure the total year-to-date spend thru new supply arrangements ▪ Measure monthly and develop corrective action plans quarterly if needed
User Satisfaction with New Supply Arrangements	▪ Monitor user satisfaction across agencies with new supply arrangements ▪ Use quarterly survey as a vehicle for measuring user satisfaction

Measurements of internal performance metrics will be used to develop quarterly corrective action plans, specifying adjustments to the "Post-Sourcing Levers" as needed

An internal performance management process has been defined to monitor fulfillment of customer needs and adjust post-sourcing levers

INTERNAL PERFORMANCE MGMT PROCESS OVERVIEW
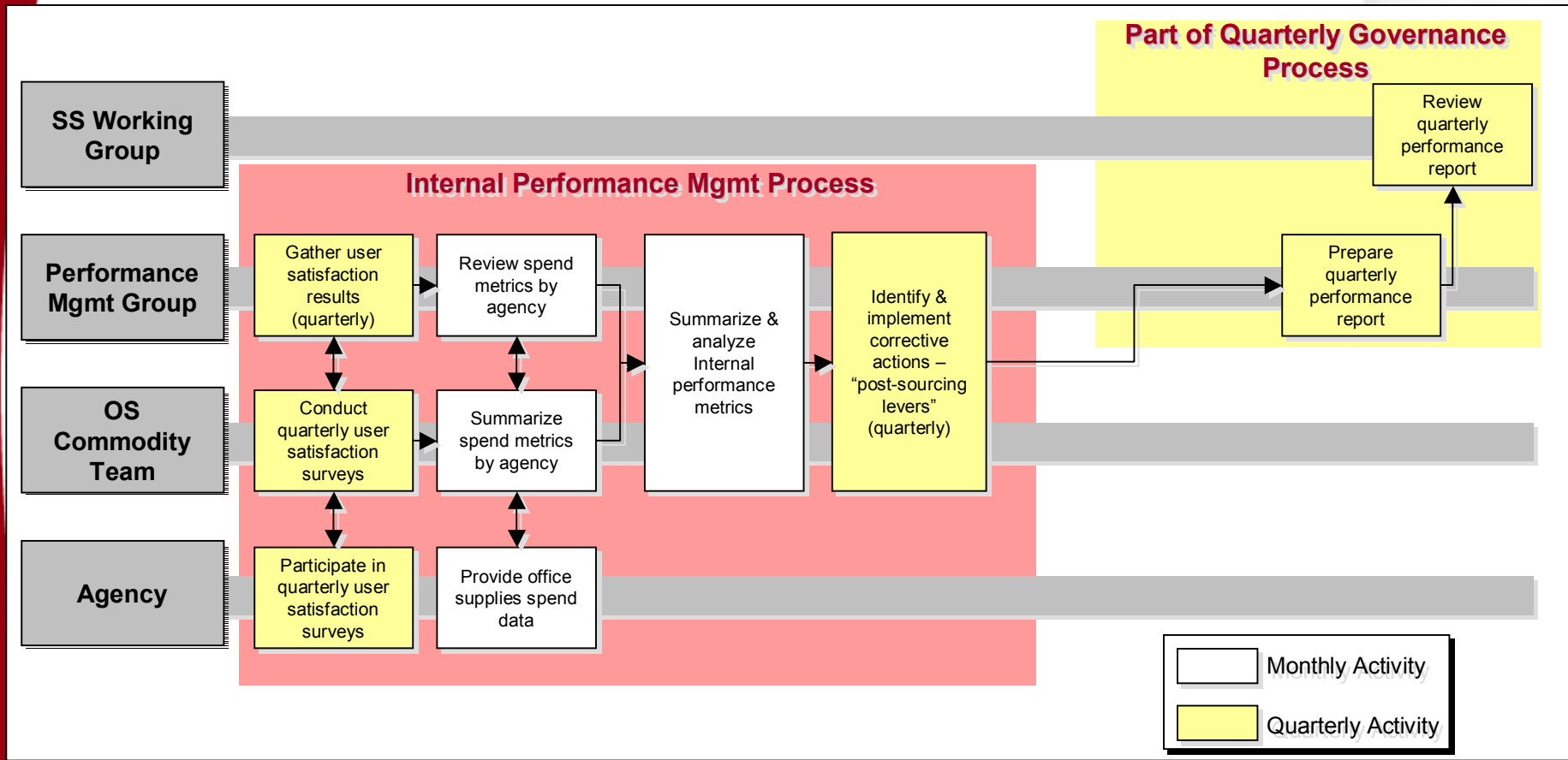
This feedback cycle is used to adjust post-sourcing levers as needed to support achievement of sourcing objectives

Post-sourcing levers will be continually updated as needed based on progress against defined internal performance metrics

LEVERS TO ACHIEVE SOURCING OBJECTIVES

Post-Sourcing Levers	Description	Applicability	Responsibility

Communication	▪ Identify appropriate training vehicles for educating the user community on benefits and details of using new supply arrangements (include ordering process, etc …)– examples include:
	  – Webinars
	  – Newsletter
	  – E-mailings
		High	Office Supplies Commodity Team

Policy	▪ Direct communication from SS Working Group to user community/Agencies about new supply arrangements for office supplies ▪ Since use of new supply arrangements is not mandatory, the communication will focus on benefits to users/Agencies and meeting OMB directive	High	SS Working Group (with communication developed by OS Commodity Team)

Process	▪ Defined process for ordering office supplies utilizing new supply arrangements – Office supplies ordering process includes:
	  – DoD E-mall
	  – GSA Advantage
		High	Office Supplies Commodity Team

Technology	▪ Overlaps with the "Process" lever in specifying technology used to support the achievement of sourcing objectives – existing technology platforms include:
	  – DoD E-mall
	  – GSA Advantage
		High	Office Supplies Commodity Team

Customer needs fulfillment should be monitored regularly through supplier performance surveys and market capabilities validation

ONGOING MONITORING OF CUSTOMER NEEDS

Ongoing Monitoring of Customer Needs	Description	Frequency	Responsibility
Supplier Performance	▪ Survey key users along dimensions most important to user satisfaction: – Product breadth – Product availability – Order accuracy – On time delivery	Quarterly	Office Supplies Commodity Team
Market Capabilities/ Offerings	▪ Periodically evaluate supply market offerings and capabilities to determine if sourcing strategy should be revisited	Annually	Office Supplies Commodity Team

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Several objectives have been identified for Supplier Performance Mgmt – focused on ensuring suppliers are performing as per contractual agreement based on timely feedback

SUPPLIER PERFORMANCE MANAGEMENT OBJECTIVES

	Objectives	Description
1	**Track supplier performance to agreed upon contract terms**	• Ensure that suppliers are performing to agreed upon performance requirements as specified in supplier contracts • Track supplier performance relative to agreed upon performance criteria on a monthly basis
2	**Provide timely feedback to suppliers in areas requiring improvement**	• Ensure that suppliers receive timely feedback on performance issues requiring improvement • Work with suppliers to identify potential changes to current practices, processes, and systems that would enable suppliers to better meet Government needs
3	**Consolidate user satisfaction surveys as part of supplier feedback**	• Ensure that supplier feedback includes the results of user satisfaction surveys with actionable recommendation for supplier performance feedback (on a quarterly basis)

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Performance targets have been identified for all key supplier performance metrics

SUPPLIER PERFORMANCE METRICS & TARGETS

Performance Metrics	Performance Targets
Order acknowledge time	▪ Provide electronic notice within 8 hours of order receipt
Order to ship time	▪ 24 hours (1 business day)
Order shipment notification	▪ Provide electronic notice within 8 hours of order shipment
Order to delivery time	▪ 2-3 business days standard delivery target, 98% "on-time" delivery
Out of stock notification prior to shipment	▪ Provide electronic notice of out of stock/backorder within 24 hours of order placement (specifying when item will be available)
Monthly performance metrics reporting (as per RFQ)	Provide BPA-related performance metrics on the 15th of each month, including but not limited to: ▪ Adherence to delivery schedule ▪ Meeting reporting requirements ▪ Meeting BPA terms & conditions ▪ Product damages & returns ▪ Maintaining pricing integrity ▪ Customer satisfaction ▪ Ensuring adequate inventory levels ▪ Environmental footprints
Monthly usage reporting (as per RFQ)	Provide monthly usage reports on the 15th of each month containing at a minimum: ▪ Item Description ▪ The total extended cost ▪ Manufacturer Name ▪ The price per unit ▪ Manufacturer Part Number ▪ Value and percentage of all purchases that are EPP items ▪ Unit Measure ▪ Quantity of Item Sold ▪ Value and percentage of all CPG items purchased ▪ Number of times the items were ordered during the period ▪ Report of activities to identify and promote EPP items

A supplier performance management process has been defined to ensure feedback to suppliers in case corrective action is needed

SUPPLIER PERFORMANCE MGMT PROCESS OVERVIEW

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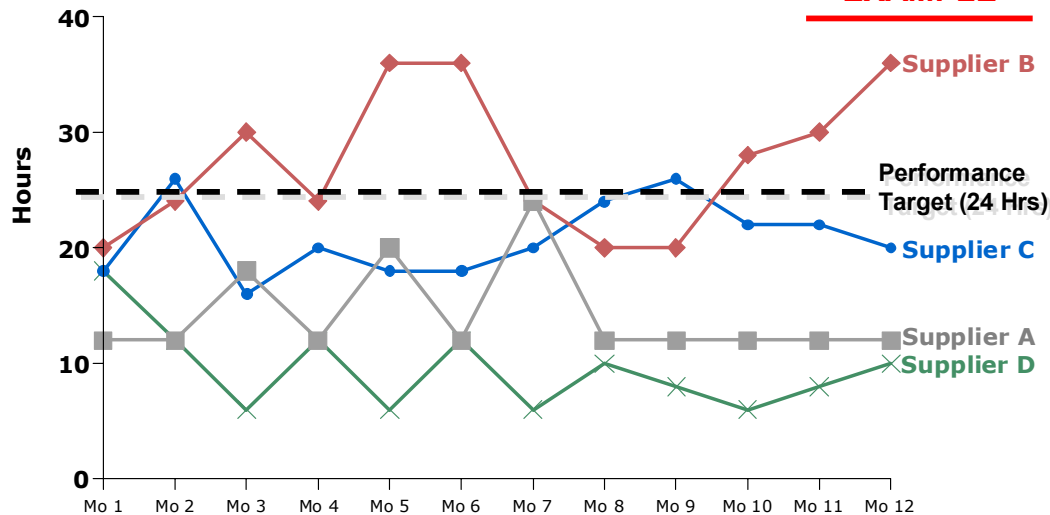**GSA** U.S. General Services Administration
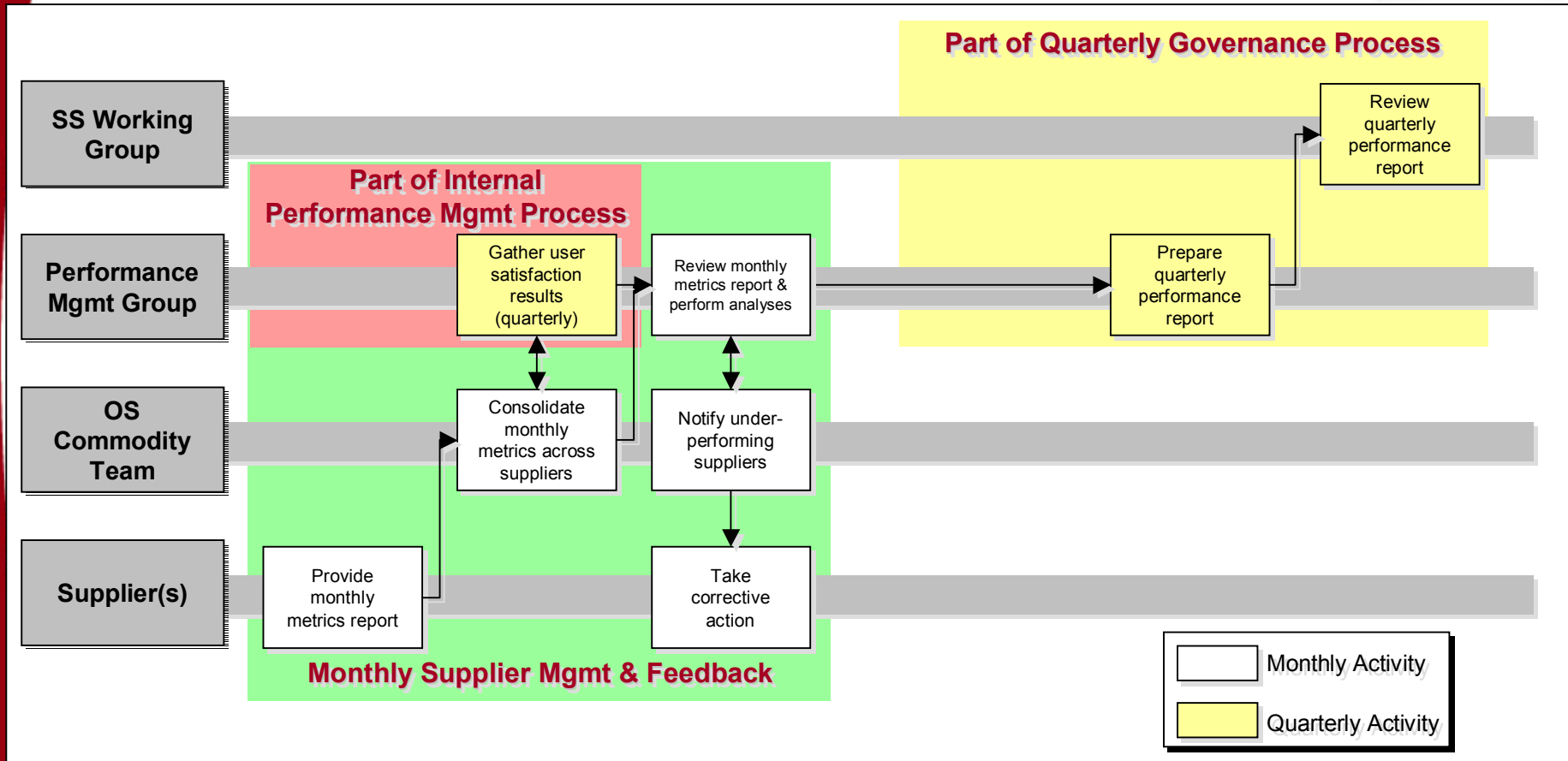
As an example, supplier performance should be carefully tracked over time in a manner that facilitates effective communication, both internally and externally

SUPPLIER PERFORMANCE REPORTS EXAMPLE

ORDER-TO-DELIVERY TIME (DAYS)

ORDER ACKNOWLEDGE TIME (HOURS)

ORDER-TO-SHIP TIME (HOURS)

EXAMPLE

- Supplier B
- Performance Target (24 Hrs)
- Supplier C
- Supplier A
- Supplier D

Y-axis: Hours (0, 10, 20, 30, 40)
X-axis: Mo 1, Mo 2, Mo 3, Mo 4, Mo 5, Mo 6, Mo 7, Mo 8, Mo 9, Mo 10, Mo 11, Mo 12

SUPPLIER PERFORMANCE MGMT HIGHLIGHTS

- Key performance metrics measured and tracked monthly

- Supplier feedback to take place monthly if needed to correct performance shortfalls

- Supplier performance trend monitored to verify performance improvement where needed

- Supplier performance metrics are consolidated in a monthly supplier performance report with points of supplier feedback clearly identified

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While a price baseline has been estimated during the FSSI strategic sourcing activity, the individual agencies should developed detailed price baselines for purposes of measuring realized savings

FSSI VS AGENCY PRICE BASELINE

	FSSI PRICE BASELINE ESTIMATE	AGENCY PRICE BASELINE
Overview	▪ A very high level approximation ▪ Based on a very limited set of data	▪ More detailed price baseline ▪ Based on a more representative data set
Margin of Error	▪ Results in a high margin of error	▪ An accurate baseline with small margin of error
Useful for …	▪ Useful only for a very high level approximation for baselining	▪ Necessary for an accurate baseline and realized savings measurement

Agency's detailed price baselines will form a much more reliable basis for measuring realized savings

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Benefit tracking & reporting objectives are focused on estimating realized savings and monitoring uptake of new supply arrangements by agencies

BENEFITS TRACKING & REPORTING OBJECTIVES

	Objectives	Description
1	**Estimate realized savings based on high-level price baseline approach**	▪ Utilize the high-level price baseline proxy (developed as a percentage discount off SP Richards list prices) as a means of ESTIMATING realized savings – *this approach is subject to a significant margin of error and should not be used to formally report realized savings*
2	**More accurately, measure realized savings based on Agency-level price baseline**	▪ Agencies are to develop detailed price baselines of their respective office supplies spend ▪ These agency price baselines will be compared to prices received for future spend in determining realized savings by agency
3	**Monitor uptake of new supply arrangements by agencies**	▪ Spend through new supply arrangements will be measured monthly to estimate the uptake rate of new supply arrangements

Agencies developing detailed price baselines will be foundational to accurately measuring realized savings, resulting from usage of new supply arrangements

Agency participation will be especially important in measuring realized benefits from new supply arrangements

BENEFITS TRACKING & REPORTING PROCESS OVERVIEW
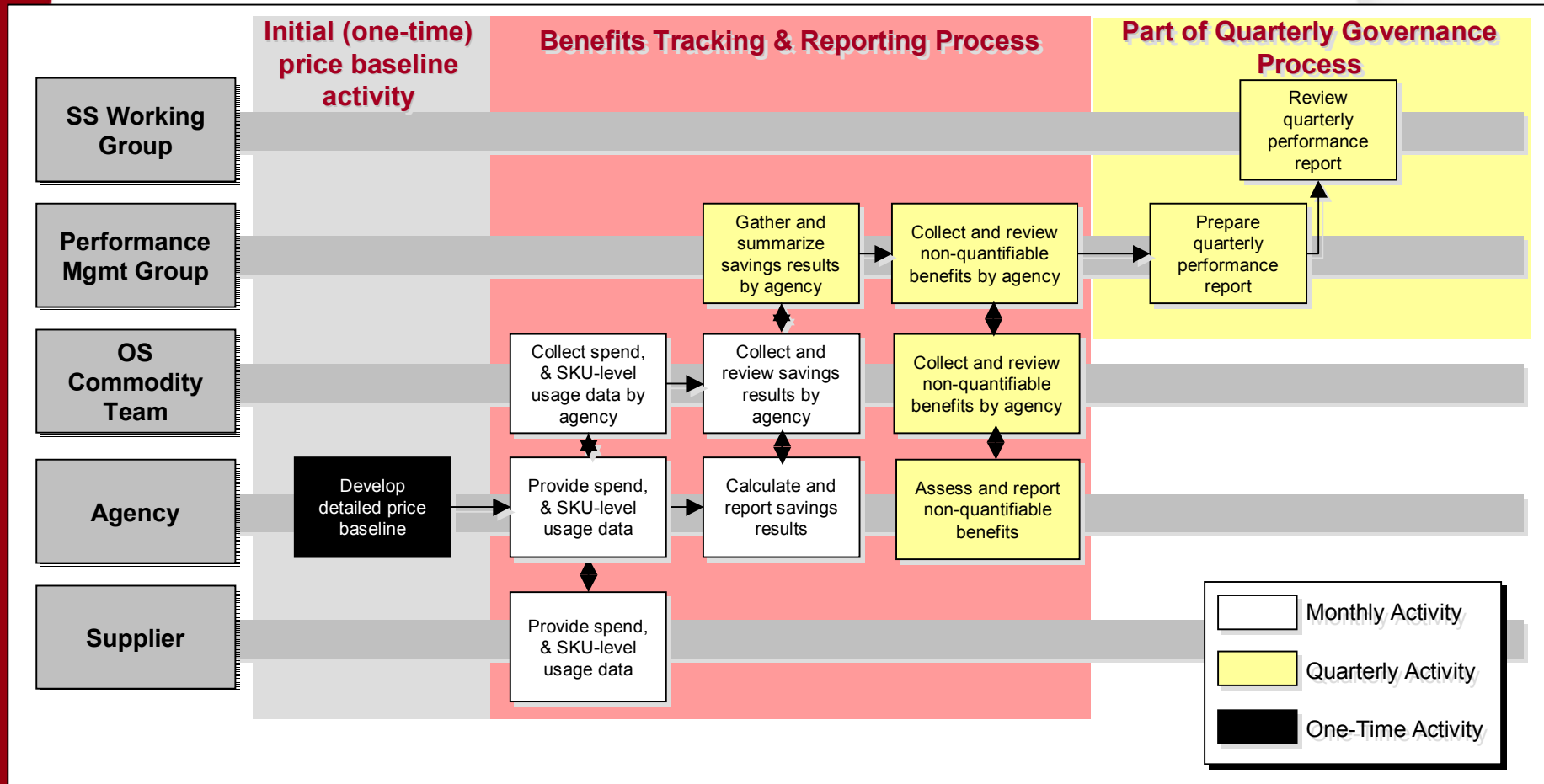
Estimated realized savings can be summarized by Agency and in aggregate

CUMULATIVE ESTIMATED REALIZED SAVINGS (BY AGENCY)

AGENCY 2 EST. REALIZED SAVINGS

AGENCY 1 EST. REALIZED SAVINGS

SUMMARY OF EST. REALIZED SAVINGS
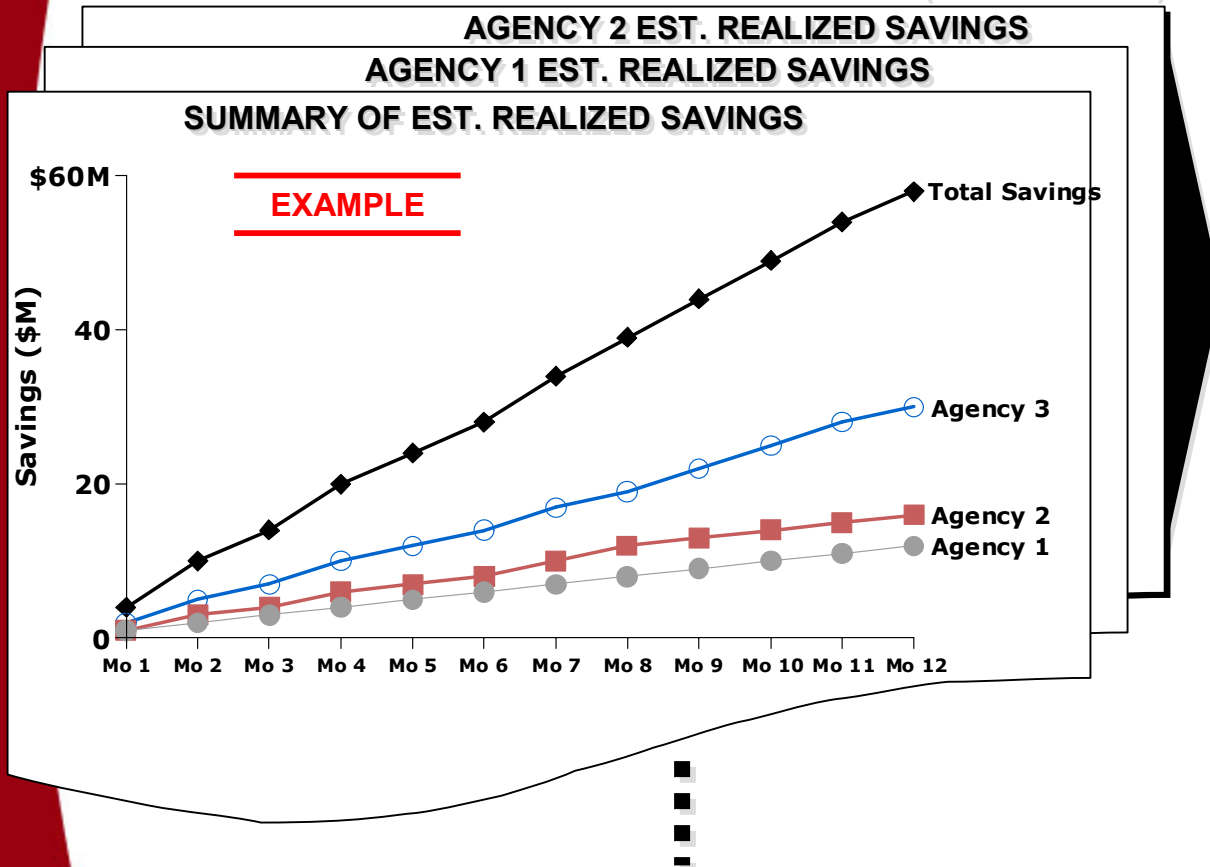
SAVINGS TRACKING & REPORTING HIGHLIGHTS

- Savings are tracked and reported at the agency level

- Initial price baselines developed by agencies provide the basis for savings measurement

- The savings report (in conjunction with performance management reports) can be used as a means to further support use of new supply arrangements

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